

Watervliet Joint Fire Board
Berrien County, Michigan

Financial Report

March 31, 2006

RENDEL ELIE
— & —
ASSOCIATES PLC
CERTIFIED PUBLIC ACCOUNTANTS

Auditing Procedures Report

Issued under P.A. 2 of 1988, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Watervliet Joint Fire Board	County Berrien
Fiscal Year End 3/31/06	Opinion Date 9/19/06	Date Audit Report Submitted to State 10/23/06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES ☒ **NO** ☐ Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Rendel Elie & Associates PLC, CPA's		Telephone Number 269-983-1069	
Street Address 1010 Main Street		City St. Joseph	State MI
		Zip 49085	
Authorizing CPA Signature <i>Lynda Elie, CPA</i>		Printed Name Lynda Elie, CPA	License Number 1101019600

Watervliet Joint Fire Board

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RENDEL ELIE
— & —
ASSOCIATES PLC
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

Board of Trustees
Watervliet Joint Fire Board
Watervliet, Michigan

We have audited the accompanying basic financial statements of the Watervliet Joint Fire Board as of March 31, 2006 and for the year then ended, as listed in the table of contents. These financial statements are the responsibility of the management of the Watervliet Joint Fire Board. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosure in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Watervliet Joint Fire Board as of March 31, 2006 and the changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The required supplemental information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Watervliet Joint Fire Board. This information has been subjected to the procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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RENDEL ELIE
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CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report (continued)

The management discussion and analysis included in the financial section of the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Watervliet Joint Fire Board. We did not examine this data and, accordingly, do not express an opinion thereon.

Rendel Elie & Associates
RENDEL ELIE & ASSOCIATES, PLC
CERTIFIED PUBLIC ACCOUNTANTS

September 19, 2006

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Watervliet Joint Fire Board
Management's Discussion and Analysis
March 31, 2006

Using this Annual Report

This annual report consists of three parts - *management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include information that presents two different views of the Fire Board:

- The first column of the financial statements includes information on the Fire Board's General Fund under the modified accrual method. These *Fund Financial Statements* focus on current financial resources and provide a more detailed view about the accountability of the Fire Board's sources and uses of funds.
- The adjustment column of the financial statements represents adjustments necessary to convert the fund financial statements to the government-wide financial statements under the full-accrual method.
- The *government-wide financial statement* columns provide both *long-term* and *short-term* information about the Fire Board's *overall* financial status. The statement of net assets and the statement of activities provide information about the activities of the Fire Board as a whole and present a longer-term view of the Fire Board's finances. These statements tell how these services were financed in the short term as well as what remains for future spending.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

Watervliet Joint Fire Board
Management's Discussion and Analysis
March 31, 2006

Condensed Financial Information

The table below compares key financial information as of March 31, 2006 and 2005.

	<u>2006</u>	<u>2005</u>
Assets:		
Current assets	\$ 160,577	\$ 54,935
Non-current assets	<u>815,914</u>	<u>842,306</u>
Total assets	976,491	897,241
Liabilities:		
Current liabilities	12,410	8,503
Non-current liabilities	<u>287,000</u>	<u>305,000</u>
Total liabilities	299,410	313,503
Net assets:		
Invested in capital, net of related debt	528,914	537,306
Unrestricted	<u>148,167</u>	<u>46,432</u>
Total net assets	<u>\$ 677,081</u>	<u>\$ 583,738</u>
Revenue:		
Property taxes	\$ 147,288	\$ 139,613
Local unit contributions	109,067	15,953
Grant revenue	20,700	10,800
Other	<u>3,195</u>	<u>2,893</u>
Total revenue	280,250	169,259
Expenses	<u>186,907</u>	<u>185,707</u>
Change in net assets	<u>\$ 93,343</u>	<u>\$ (16,448)</u>

Watervliet Joint Fire Board
Management's Discussion and Analysis
March 31, 2006

The Fire Board as a Whole

- The Fire Board's net assets increased by \$93,343 compared to a decrease \$16,448 the prior year. The primary reason for the increase is due to an increase in Watervliet Township support and grant revenue.
- The Fire Board's primary source of revenue is from property taxes, which represents 53% of the current year revenue and 82% of the prior year revenue.
- Personnel costs continue to be a significant expense of the Fire Board, representing 24% of the current year expenses and 23% of the prior year expenses.

Capital Asset and Debt Administration

The Fire Board continues to make payments to Watervliet Township for the construction of the addition to the fire station. Final payment on this loan is scheduled to be paid on September 1, 2015.

Capital assets increased by \$41,919 for the purchase of equipment.

Fire Board Budgetary Highlights

Over the course of the year, the Fire Board amended the budget to take into account events that occurred during the year. The most significant amendments occurred in building repairs and miscellaneous.

Budget variances included Watervliet Township support and grant revenue received during the year and capital outlay expenditures.

Contacting the Fire Board's Management

This financial report is intended to provide a general overview of the Fire Board's finances and to show the Fire Board's accountability for the money it receives. If you have questions about this report or need additional information, please contact the Fire Board treasurer, David Brinker at the Watervliet Fire Department.

Watervliet Joint Fire Board
Governmental Fund Balance Sheet / Statement of Net Assets
March 31, 2006

	General Fund Modified <u>Accrual Basis</u>	<u>Adjustments</u>	Statement of <u>Net Assets</u>
Assets			
Cash	\$ 134,311	\$ -	\$ 134,311
Prepaid insurance	10,593	-	10,593
Due from other governmental units	15,673	-	15,673
Capital assets, net	<u>-</u>	<u>815,914</u>	<u>815,914</u>
Total assets	<u>\$ 160,577</u>	<u>815,914</u>	<u>976,491</u>
Liabilities			
Accounts payable	\$ 5,053	-	5,053
Accrued wages	7,357	-	7,357
Long-term debt:			
Due within one year	-	20,000	20,000
Due after one year	<u>-</u>	<u>267,000</u>	<u>267,000</u>
Total liabilities	<u>12,410</u>	<u>287,000</u>	<u>299,410</u>
Fund Balance/Net Assets			
Fund balance - unreserved, undesignated	<u>148,167</u>	<u>(148,167)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 160,577</u>		
Net assets:			
Invested in capital assets, net of debt		528,914	528,914
Unrestricted		<u>148,167</u>	<u>148,167</u>
Total net assets		<u>\$ 677,081</u>	<u>\$ 677,081</u>

See auditors' report and notes to financial statements.

Watervliet Joint Fire Board
Statement of Governmental Revenue, Expenditures, and Changes in Fund Balance /
Statement of Activities
Year Ended March 31, 2006

	General Fund Modified Accrual Basis	Adjustments	Statement of Activities
Revenues:			
Property taxes:			
Township of Watervliet	\$ 94,263	\$ -	\$ 94,263
City of Watervliet	53,025	-	53,025
Receipts from other governmental units:			
Township of Bainbridge	19,067	-	19,067
Township of Watervliet	90,000	-	90,000
Grant revenue	20,700	-	20,700
Other revenue	3,195	-	3,195
Total revenue	<u>280,250</u>	-	<u>280,250</u>
Expenditures:			
Personnel	45,755	-	45,755
Insurance	11,863	-	11,863
Repairs and maintenance	15,188	-	15,188
Utilities	10,410	-	10,410
Supplies	4,346	-	4,346
Professional services	6,625	-	6,625
Medical	2,351	-	2,351
Fuel	2,254	-	2,254
Education and training	3,002	-	3,002
Board fees	3,342	-	3,342
Dues and subscriptions	594	-	594
Miscellaneous	64	-	64
Capital outlay	41,919	(41,919)	-
Loss on disposition of equipment	-	4,000	4,000
Debt service:			
Principal	18,000	(18,000)	-
Interest	12,802	-	12,802
Depreciation	-	64,311	64,311
Total expenditures	<u>178,515</u>	<u>8,392</u>	<u>186,907</u>
Excess of Revenue over Expenditures /			
Change in Net Assets	101,735	(8,392)	93,343
Fund Balance/Net Assets - beginning of year	<u>46,432</u>	<u>537,306</u>	<u>583,738</u>
Fund Balance/Net Assets - end of year	<u>\$ 148,167</u>	<u>\$ 528,914</u>	<u>\$ 677,081</u>

See auditors' report and notes to financial statements.

Watervliet Joint Fire Board
Notes to Financial Statements
March 31, 2006

Summary of Significant Accounting Policies

Reporting Entity

The Watervliet Joint Fire Board is a joint venture between the City of Watervliet and the Township of Watervliet. The purpose of the Joint Fire Board is to operate, maintain, provide and supervise fire service. The Joint Fire Board operates under a Board of Trustees and consists of members appointed by the City and Township.

The Fire Board is defined as a governmental unit under criteria set forth by AICPA'S Audits of State and Local Governmental Units (ASLGU). These criteria include; a Board of Trustees consisting of representative members appointed or elected from the governmental units served and, the power to enact and enforce a tax levy.

The accompanying general purpose financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity.

The accounting policies of the Watervliet Joint Fire Board conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements - and Management's Discussion an Analysis - for State and Local Governments*. Certain of the significant changes in the Statement include the following:

- A Management's Discussion and Analysis (MD&A) section providing an analysis of the Fire Board's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the Fire Board's activities.
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements, including notes to the financial statements.

Watervliet Joint Fire Board
Notes to Financial Statements
March 31, 2006

Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The Fire Board's basic financial statements include both government-wide (reporting the Fire Board as a whole) and fund financial statements (reporting the Fire Board's major funds).

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) are reported using the economic resource measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The Fire Board's net assets are reported in four parts - invested in capital assets; designated net assets; restricted net assets; and unrestricted net assets.

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resource measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Fire Board considers revenue to be available if they are collected within ninety days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when collected.

Watervliet Joint Fire Board
Notes to Financial Statements
March 31, 2006

Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

The Fire Board reports only one major governmental funds, the General Fund.

Financial Statement Amounts

Bank Deposits and Investments - The Fire Board has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Receivables and Payables - Property taxes are levied on December 1st based on the taxable valuation of the property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

The Fire Board receives an advance from the Berrien County Revolving Fund for delinquent property taxes. The County collects the delinquent property taxes on behalf of the Fire Board.

Capital Assets - Capital assets are defined by the Fire Board as assets with an initial cost of more than \$200 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and improvements	40-50 years
Furniture and equipment	5-7 years
Vehicles	5-20 years

Long-term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

Watervliet Joint Fire Board
Notes to Financial Statements
March 31, 2006

Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

Property Taxes -

Township of Watervliet - In November of 2002, the electors of the Township of Watervliet approved a .9803 millage levy on the taxable property in the Township. The levy was renewed in August of 2006 and will expire in 2010.

City of Watervliet - On July 15, 2004, the electors of the City of Watervliet approved a 2 millage levy on the taxable property in the City. The levy was renewed in August of 2006 and will expire in 2009.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Budget Information

The annual budget is prepared by the Fire Board Director and adopted by the Fire Board of Trustees; subsequent amendments are approved by the Fire Board of Trustees. Unexpended appropriations lapse at year-end; encumbrances are not included as expenditures. During the current year, the budget was amended in a legally permissible manner.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

The budget statement (combined statement of revenue, expenditures and changes in fund balances - budget and actual - general fund types) is presented on the same basis of accounting used in preparing the adopted budget.

The budget has been adopted on a line item basis; expenditures at this level in excess of amounts budgeted is a violation of Michigan law. A comparison of the actual results of operations, as adopted by the Fire Board, is presented in these financial statements.

Watervliet Joint Fire Board
Notes to Financial Statements
March 31, 2006

Budget Information - (Continued)

During the year, the Fire Board incurred expenditures that were in excess of budget by more than \$5,000 in the following category:

	<u>Budget</u>	<u>Actual</u>
Capital outlay	\$10,000	\$41,919

Deposits and Investments

The Fire Board has designated one bank for the deposit of its funds. The investment policy adopted by the Fire Board is in accordance with Public Act 196 of 1997 and has authorized investments as authorized by state statute, including bonds, CD's, commercial paper, repurchase agreements, and mutual fund accounts. The Fire Board's deposits and investment policies are in accordance with statutory authority.

Custodial credit risk of bank deposits - Custodial credit risk is the risk that in the event of a bank failure, the Fire Board's deposits may not be returned to it. The Fire board does not have a deposit policy for *custodial credit risk*. At year end, the Fire Board's cash was comprised of bank deposits, including checking and savings accounts and cash on hand. The balance at March 31, 2006 was \$134,311. Of these funds, \$100,000 was covered by federal depository insurance.

Capital Assets

Capital asset activity was as follows:

	Beginning of year <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	End of year <u>Balance</u>
Land and improvements	\$ 18,549	\$ 1,630	\$ -	\$ 20,179
Building under capital lease	521,118	-	-	521,118
Vehicles	522,627	-	-	522,627
Equipment	393,077	40,289	11,431	421,935
Total	1,455,371	41,919	11,431	1,485,859
Accumulated depreciation	(613,065)	(64,311)	(7,431)	(669,945)
Net book value	\$ 842,306	\$ (22,392)	\$ 4,000	\$ 815,914

Watervliet Joint Fire Board
Notes to Financial Statements
March 31, 2006

Long-term Debt

Debt service requirements - On July 12, 2000, the Fire Board entered into an agreement to finance the construction of the building addition. The following is a summary of changes in long-term debt for the year ended March 31, 2006:

	<u>Interest Rate</u>	<u>Principal Maturity</u>	<u>Beginning Balance</u>	<u>Addition</u>	<u>Reduction</u>	<u>Balance</u>	<u>Due Within One Yr.</u>
Capital lease	4.325%	2015	<u>\$ 305,000</u>	<u>\$ -</u>	<u>\$ 18,000</u>	<u>\$287,000</u>	<u>\$ 20,000</u>

Risk Management

The Fire Board is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Fire Board has purchased commercial insurance for property, liability and workers' compensation.

Reconciliation of Fund Financial Statements to Government-wide Financial Statements

Total fund balance and the net change in fund balance of the Fire Board's governmental fund differs from net assets and changes in net assets of the governmental activities reported in the statement of net assets and statement of activities. This difference primarily results from the long-term economic focus of the statement of net assets and statement of activities versus the current financial resources focus of the governmental fund balance sheet and statement of revenue, expenditures, and change in fund balance.

Watervliet Joint Fire Board
Notes to Financial Statements
March 31, 2006

Reconciliation of Fund Financial Statements to Government-wide Financial
Statements (Continued)

The following are reconciliations of fund balance to net assets and the
net change in fund balance to the net change in net assets:

Total Fund Balance - Modified Accrual Basis	\$ 148,167
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Differences in the statement of net assets:

Capital assets are not financial resources, and are not reported in the funds	815,914
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Long-term liabilities are not due and payable in the current period and are not reported in the funds	<u>(287,000)</u>
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Net Assets of General Fund - Full Accrual Basis	<u>\$ 677,081</u>
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Reconciliation of Fund Financial Statements to Government-wide Financial
Statements (Continued)

Net Change in Fund Balances - Modified Accrual Basis	\$ 101,735
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Differences in the statement of net assets:

Capital outlays are reported as expenditures in the
Statement of revenue, expenditures, and changes in
fund balance; in the statement of activities, these costs
are allocated over their estimated useful lives as
depreciation:

Capital outlay	41,919
Depreciation	(64,311)
Loss on disposition of equipment	(4,000)

Repayments of principal are reported as an expenditure in the fund statements, but not in the statement of activities (where it reduces long-term debt)	<u>18,000</u>
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Change in Net Assets of General Fund - Full Accrual Basis	<u>\$ 93,343</u>
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Watervliet Joint Fire Board
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended March 31, 2006

	Originally Adopted Budget	Final Amended Budget	Actual Balances	Over (Under)
Revenues:				
Property taxes:				
Township of Watervliet	\$ 87,000	\$ 90,000	\$ 94,263	\$ 4,263
City of Watervliet	50,000	50,000	53,025	3,025
Receipts from other governmental units:				
Township of Bainbridge	15,675	15,675	19,067	3,392
Township of Watervliet	-	-	90,000	90,000
Grant revenue	-	-	20,700	20,700
Other revenue	2,675	2,675	3,195	520
Total revenue	<u>155,350</u>	<u>158,350</u>	<u>280,250</u>	<u>121,900</u>
Expenditures:				
Personnel	48,600	48,600	45,755	(2,845)
Insurance	19,000	19,000	11,863	(7,137)
Repairs and maintenance	16,000	17,500	15,188	(2,312)
Utilities	8,500	8,500	10,410	1,910
Supplies	3,000	3,000	4,346	1,346
Professional services	4,600	4,600	6,625	2,025
Medical	5,800	5,800	2,351	(3,449)
Fuel	2,000	2,000	2,254	254
Education and training	3,300	3,300	3,002	(298)
Board fees	3,000	3,000	3,342	342
Dues and subscriptions	700	700	594	(106)
Miscellaneous	-	1,500	64	(1,436)
Capital outlay	10,000	10,000	41,919	31,919
Debt service:				
Principal	18,000	18,000	18,000	-
Interest	12,850	12,850	12,802	(48)
Total expenditures	<u>155,350</u>	<u>158,350</u>	<u>178,515</u>	<u>20,165</u>
Excess of Revenue over Expenditures / Change in Net Assets	-	-	101,735	101,735
Fund Balance/Net Assets - beginning of year	<u>46,432</u>	<u>46,432</u>	<u>46,432</u>	<u>-</u>
Fund Balance/Net Assets - end of year	<u>\$ 46,432</u>	<u>\$ 46,432</u>	<u>\$ 148,167</u>	<u>\$ 101,735</u>

RENDEL ELIE
— & —
ASSOCIATES PLC
CERTIFIED PUBLIC ACCOUNTANTS

September 19, 2006

Watervliet Joint Fire Board
Watervliet, Michigan

Report of Comments and Recommendations

In planning and performing our audit of the financial statements of the Watervliet Joint Fire Board, for the year ended March 31, 2006, we considered its internal control structure in order to determine the auditing procedures for the purpose of expressing an opinion on the internal control structure. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the Watervliet Joint Fire Board's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Our consideration of the internal control structure was for the limited purpose described in the preceding paragraph and would not necessarily disclose all matters that might be reportable conditions. In addition, because of inherent limitations in any control structure, errors or irregularities may occur and not be detected by such control structure.

We offer the following comments for your consideration:

General ledger - The Michigan Department of Treasury requires certain basic accounting records be maintained, including a general ledger. The Fire Board does not currently maintain a general ledger. The Board records consist of checkbook and savings account, deposit slips, a journal of monthly transactions, and monthly financial reports containing selected financial information. A general ledger is necessary to accumulate year-to-date balances and provide an audit trail. The Quickbooks computerized software that the Fire Board owns has this feature. We recommend the Board continue with its intent on implementing this.

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Budget amendments - The budget process includes a great deal of estimating and it is not unusual for significant variances to develop throughout the year. We recommend that the board continue to monitor actual financial results to the original budgets and amend the budget as needed. The budget was not amended this year to reflect the additional support from the Township or the additional capital expenditures for equipment.

Custodial credit risk of bank deposits - Custodial credit risk is the risk that in the event of a bank failure, the Fire Board's deposits may not be returned to it. The Fire board does not have a deposit policy for *custodial credit risk*. At year end, the Fire Board's cash was comprised of bank deposits, including checking and savings accounts and cash on hand. The balance at March 31, 2006 was \$134,311. Of these funds, \$100,000 was covered by federal depository insurance.

We wish to express our appreciation for the friendliness and cooperation extended to us during this audit.



Lynda Rendel Elie
Certified Public Accountant

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